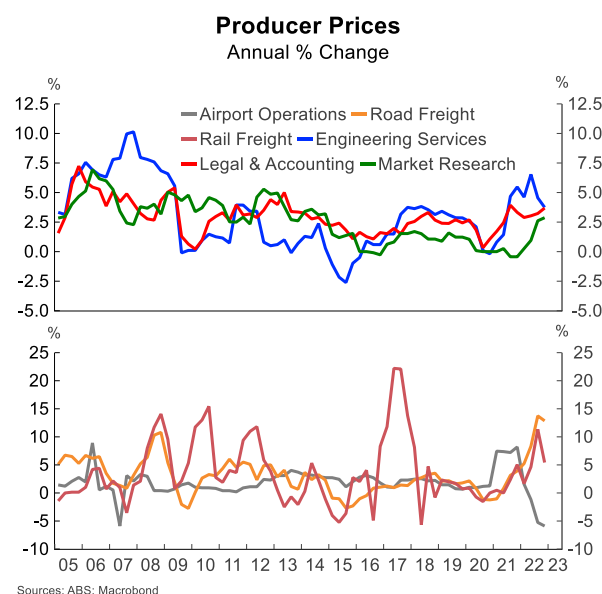
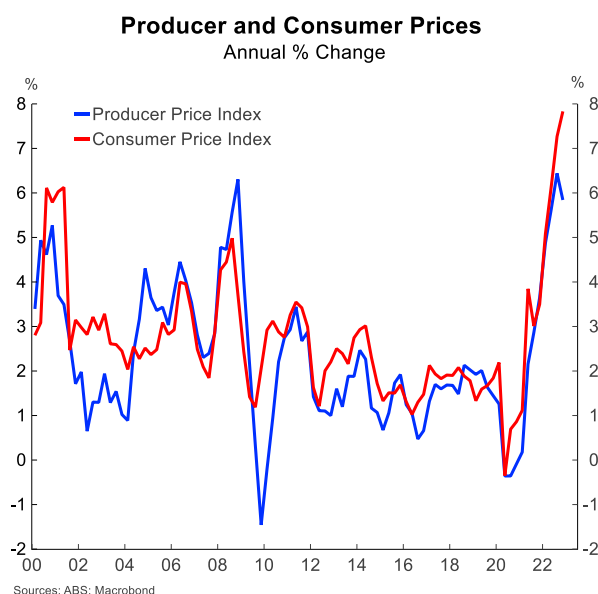


Friday, 27 January 2023

## Producer Price Index

### Inflation: Is The Worst Behind Us?

- Growth in wholesale inflation pressures moderated in the December quarter.
- The producer prices index (PPI) eased in the December quarter, increasing by a quarterly rate of 0.7%, the smallest increase since June 2021.
- In annual terms producer prices increased by 5.8%, lower than the record pace of 6.4% recorded in the September quarter.
- The PPI measures prices from the perspective of businesses. It excludes subsidies and taxes, which impact consumer prices measured by the Consumer Price Index (CPI).
- In the US, the PPI peaked one quarter before the CPI. In Australia, The PPI and CPI seem to move contemporaneously. The unwinding of both electricity rebates and the halving of the fuel excise looks to have delayed the peak in CPI inflation by one quarter.
- One of the more troubling features of the CPI report for the December quarter was that inflationary pressures broadened, and services inflation accelerated. Indeed, the biggest increase in inflation occurred in the recreation and culture group, led by a surge in domestic travel & accommodation prices.
- Today's release also shows that accommodation wholesale prices increased significantly (7.6% quarter-on-quarter) on the back of strong demand. But the price of other services, such as professional services and freight, look to have peaked.



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